

~~EXECUTIVE LIFE AND DISABILITY COMPANY
OF CANADA~~

wishes to announce that

effective 1 March, 1968, the company name
was changed to

**INCOME DISABILITY AND REINSURANCE COMPANY
OF CANADA**

Suite 1202, Terminal Towers

105 Main Street East

Hamilton - Ontario

Our telephone number is 528-6766

**NUAL
PORT
1967**

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EXECUTIVE LIFE AND DISABILITY COMPANY OF CANADA

HIGHLIGHTS

TWO YEARS OF PROGRESS AS A PUBLIC COMPANY

	1967	1965
Premium Income	\$1,032,243	\$ 658,954
Investment Income	179,372	92,610
Cash Claims Paid	343,711	217,957
Net Profit or (Loss)	105,771	(162,307)
Actuarial Reserves held for the benefit of Policyholders	629,680	176,872
Capital and Surplus	2,386,004	2,290,780
Total Assets	3,300,594	2,557,295

EXECUTIVE LIFE AND DISABILITY COMPANY OF CANADA

HEAD OFFICE: HAMILTON, ONTARIO



REPORT TO THE SHAREHOLDERS

expended to establish a marketing vehicle and that our past experience will permit us to better control marketing and Head Office costs. We already have a proven marketing team of capable men who have worked together as a team for several years and are trained to handle the new services which we now propose to offer, and we also have all the administration facilities necessary to support their marketing activities.

It is my pleasure again, on behalf of the Board of Directors and management of your Company, to submit our seventh Annual Report.

The coming year will be a year of change and it would therefore seem in order to review our past activities. Our Company commenced business as a private, Provincially licensed Accident and Health Company in 1961 and became a public Company in 1965. In our seven years of operation, we have become known as specialists in the field of Association Group Insurance, a field which is increasing very rapidly in size and importance, and which is now demanding more than the traditional term life and income disability coverages. To meet their new needs we will, effective immediately, be offering them Equity and Fixed Pensions and Ordinary Life plans. In addition, we will make available to them Estate Planning services, Tax Seminars and personal interviews.

Up until this time life insurance coverages generated by our own field force have had to be placed with other Companies. This problem was overcome on the 1st of March, 1968, when we received our Federal Charter under the name of Income Disability and Reinsurance Company of Canada permitting us to market all forms of life and disability insurance. Our Federal license permits us to apply for entry into all Provinces and thus strengthen our service to those Association plans which are national in scope.

Our entry into the life insurance business should not be compared with the entry of a fledgling company which would of necessity have to depend on the agency system with its extremely high costs for nearly all of its business in its early years. On the contrary, we will be staying with our own specialized and firmly established Association approach. This will mean that large sums need not be

In 1967 we produced a profit of \$105,771.00 and after adjusting reserves by \$24,852.00 our surplus increased \$80,919.00. This was accomplished after writing off the entire cost of our new Marketing Office which we opened in Toronto in the spring of 1967 and the costs of installing new equipment and furniture in our Head Office in Hamilton. Our profit and our increase in surplus are after deducting non-recurring expenses (professional fees, preparation of rate schedules, policy forms, etc.) in advance of our entry into the life insurance field.

An insurance Company's statement is not permitted to show a dollar value for such things as furniture, business machines, fixtures, licenses and certain other assets. These must be and are completely written off. Furthermore, the heavy costs of creating premium income and the very great value of our trained sales force cannot be shown as assets. However, you will be pleased to know that the book value of the shares in our Company has increased from \$9.39 to \$9.72 since the date of our last report.

Our objectives for the current year can be simply stated. These are to proceed, as in the past, to underwrite and retain limits of coverage consistent with our financial ability to do so, to control costs and thus to produce profits. We plan to send a report to you of our Company's operations as at the 30th of June, 1968, and at that time you will be advised of our progress with our new marketing concepts.

Thank you for your continuing support.

Sincerely yours,

Wm. E. Brunning

EXECUTIVE LIFE AND DISA



BALANCE SHEET A

ASSETS

	1967	1966	1965
Investments—			
Bonds and debentures (note 1)	\$ 1,323,858	\$ 779,816	\$ 670,316
Short term deposits	56,464	—	—
Demand loan secured by notes	—	125,000	—
Mortgages	1,585,411	1,623,747	1,721,398
Common shares (note 1)	82,700	77,200	77,200
	<hr/>	<hr/>	<hr/>
Interest due and accrued	3,048,433	2,605,763	2,468,914
	28,325	19,249	16,002
	<hr/>	<hr/>	<hr/>
Cash on hand and in banks	3,076,758	2,625,012	2,484,916
Outstanding premiums receivable	10,395	106,892	7,941
Amounts due from reinsurers (note 2)	40,149	25,880	47,300
Deposits	163,023	28,421	1,553
Cash surrender value of life insurance policy	1,110	510	—
Special refundable tax	5,263	3,912	—
Deferred mortgage finders' fees, less amounts written off (note 3)	3,896	—	—
	<hr/>	<hr/>	<hr/>
	—	—	15,585
	<hr/>	<hr/>	<hr/>
	\$ 3,300,594	\$ 2,790,627	\$ 2,557,295

SIGNED ON BEHALF OF THE BOARD

James J. Murphy
Director

T. J. Keay
Director

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1967

1. BONDS AND COMMON SHARES

Bonds are carried at cost and common shares at book value which is less than cost and the aggregate is \$155,145 more than quoted market values at December 31, 1967. An investment reserve has been set up to provide for this deficiency to the extent of \$100,000 which is \$61,663 more than that required by the Department of Insurance of the Province of Ontario.

2. AMOUNTS DUE FROM REINSURERS

The major part of the amounts due from reinsurers represents receivables which were outstanding prior to October 1, 1967. Ordinarily this asset would be inadmissible under the insurance laws of the Province of Ontario. In view of the circumstances surrounding this debt, the Department of Insurance has agreed to admit this receivable as an asset of the company.

The net effect of this treatment was to increase 1967 earnings by \$31,922, to increase 1966 by \$3,167 and decrease 1965 by \$39,074. The latter two figures have been charged to surplus as an adjustment of prior years' earnings.

3. FINDERS' FEES

In the year 1966, the balance of finders' fees amounting to \$15,585 was charged to investment income. This is inconsistent with 1965 during which \$2,655 was charged to operations. If the same practice had been followed during 1966 and 1967, \$3,480 would have been charged to operations in each of these years.

4. PROVISIONS FOR UNEARNED PREMIUMS

In 1966 and 1967 the provision for unearned premiums was reduced by the prepaid portion of reinsurance contracts ceded. In previous years the provision was reduced by only that portion of the prepaid reinsurance contract that related to the period covered by the current premiums in force. If this practice had been followed during 1965 the net loss would have decreased by \$8,209 and the net income for 1966 would have decreased by a similar amount.

5. SHARE PURCHASE WARRANTS

153,720 share purchase warrants are outstanding and must be exercised on or before December 31, 1975, at the following prices per share:

- \$12.00 until December 31, 1970
- \$14.00 thereafter and until December 31, 1972
- \$16.00 thereafter and until December 31, 1975

Included in the above are 15,000 share purchase warrants issued since the date of the prospectus through the cancellation of 15,000 options to purchase shares.

ITY COMPANY OF CANADA

DECEMBER 31, 1967

LIABILITIES, CAPITAL AND SURPLUS

	1967	1966	1965
Provision for unearned premiums (note 4)	\$ 91,536	\$ 80,744	\$ 56,273
Provision for unpaid and unreported claims	298,914	155,979	158,245
Provision for contingencies	330,766	103,249	18,627
Morbidity fluctuation reserve	—	19,600	—
Investment reserve (note 1)	100,000	91,455	—
Deposit premiums pending policy issue	10,091	7,814	6,509
Premium taxes payable	15,613	14,175	10,414
Other liabilities	67,670	12,526	16,447
	<hr/> 914,590	<hr/> 485,542	<hr/> 266,515
Capital and surplus (notes 5 and 6)			
Capital stock—Authorized 1,000,000 shares of \$5.00 par value each			
—Issued 245,420 shares	1,227,100	1,227,100	1,227,100
Surplus	1,158,904	1,077,985	1,063,680
	<hr/> 2,386,004	<hr/> 2,305,085	<hr/> 2,290,780
	<hr/> <u>\$ 3,300,594</u>	<hr/> <u>\$ 2,790,627</u>	<hr/> <u>\$ 2,557,295</u>

6. OPTIONS TO PURCHASE SHARES

The company had 84,100 shares reserved for options as follows:

	Greater of 85% of market value or—		
	\$7.50	\$12.00	Total
Total shares reserved	62,300	21,800	84,100
Earned or granted	400	9,800	10,200
Balance available	<hr/> 61,900	<hr/> 12,000	<hr/> 73,900

Options at 85% of market value or \$7.50 are available to sales personnel only.

All options may be earned or granted on a formula established by the Board of Directors and these must be exercised upon certain dates specified by the Board but no later than April 1, 1974. No options were exercised during 1967.

7. DEFERRED PAST SERVICE PENSION COSTS

During the year the company established an executive pension plan. The past service costs which arose are being amortized and funded over a period of four years. The balance of the past service costs unfunded and deferred as at December 31, 1967 amounts to \$51,615.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Executive Life and Disability Company of Canada as at December 31, 1967 and the related summaries of operations and surplus for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records as we considered necessary in the circumstances.

We have accepted the certification by the actuary of the company for the claims reserves and other actuarial liabilities.

Subject to the qualification in the preceding paragraph the accompanying balance sheet and related summaries of operations and surplus present fairly the financial position of the company as at December 31, 1967, in accordance with accounting practices appropriate to the insurance laws of the Province of Ontario, except as referred to in Note 2 applied on a basis consistent with that of the preceding year except as referred to in Notes 2 and 3 with which we concur.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Hamilton, February 20, 1968

**SUMMARY
OF SURPLUS**

**EXECUTIVE LIFE AND DISABILITY COMPANY OF CANADA
SUMMARY OF SURPLUS**

For the Year Ended December 31, 1967

	1967	1966	1965
SURPLUS—BEGINNING OF YEAR	\$ 1,077,985	\$ 1,063,680	\$ 737
Add: Net income (loss) for the year	105,771	121,448	(162,307)
Surplus arising from the premium on the issue of 200,100 shares	—	—	1,225,250
Morbidity fluctuation reserve—no longer required	19,600	—	—
Increase in cash surrender value of life insurance policy (not previously recorded)	—	3,912	—
	<u>1,203,356</u>	<u>1,189,040</u>	<u>1,063,680</u>
Less: Appropriations—			
Investment reserve	8,545	91,455	—
Morbidity fluctuation reserve	—	19,600	—
Adjustment of prior years' earnings (note 2)	35,907	—	—
	<u>44,452</u>	<u>111,055</u>	<u>—</u>
SURPLUS—END OF YEAR	<u><u>\$ 1,158,904</u></u>	<u><u>\$ 1,077,985</u></u>	<u><u>\$ 1,063,680</u></u>

**SUMMARY
OF OPERATIONS**

**EXECUTIVE LIFE AND DISABILITY COMPANY OF CANADA
SUMMARY OF OPERATIONS**

For the Year Ended December 31, 1967

	1967	1966	1965
Premium income	\$ 1,032,243	\$ 912,526	\$ 658,954
Net investment income	179,372	137,302	92,610
	<u>1,211,615</u>	<u>1,049,828</u>	<u>751,564</u>
Net claims paid	343,711	317,605	217,957
Increase in claims reserve	142,935	11,672	130,684
Increase in unearned premium reserve	10,792	24,470	6,868
Increase in other special reserves	89,871	70,684	3,940
Commissions to agents	107,921	116,682	99,737
Increase in agents' balances	(50,161)	11,086	91,633
Agents' balances written off	34,926	11,039	—
Premium taxes	19,502	17,041	13,019
Other taxes, licenses and fees	1,409	1,578	2,673
Other operating expenses	404,938	346,523	347,360
	<u>1,105,844</u>	<u>928,380</u>	<u>913,871</u>
Net income (loss) for the year (notes 2, 3 and 4)	<u><u>\$ 105,771</u></u>	<u><u>\$ 121,448</u></u>	<u><u>\$ (162,307)</u></u>

MR. WM. E. BRUNNING

President, Executive Life and Disability Company of Canada

DIRECTORS

MR. C. P. FLOOD

Vice-President & Secretary, Executive Life and Disability Company of Canada

MR. J. S. FORSYTH

Director, Executive Life and Disability Company of Canada

MR. T. A. D. HARRIOTT

President, Harriott & Associates Ltd., Winnipeg

DR. J. R. IBBERSON

Administrative Medical Director, Division of Cancer Services, Province of Alberta

MR. WM. R. LATIMER, Q.C.

Partner, McCarthy & McCarthy, Toronto

MR. C. A. READ, C.A.

Treasurer, Executive Life and Disability Company of Canada

MR. B. ROSENBLATT

President, Tor-Mon Investments Limited

MR. D. G. Ross

Vice-Chairman of the Board, Pitfield, MacKay, Ross & Company Limited, Toronto

WILLIAM E. BRUNNING, *President*

OFFICERS

CHARLES P. FLOOD, *Vice-President & Secretary*

CHARLES A. READ, C.A., *Treasurer*

EXECUTIVE LIFE AND DISABILITY COMPANY OF CANADA

HEAD OFFICE: HAMILTON, ONTARIO

